

April 3, 2014

Senator Mary Landrieu Chair Senate Committee on Energy & Natural Resources 304 Dirksen Senate Office Building Washington, DC 20510

Congressman Fred Upton Chairman **House Energy & Commerce Committee** 2125 Rayburn House Office Building Washington, DC 20515

Senator Lisa Murkowski Ranking Member Senate Committee on Energy & Natural Resources 304 Dirksen Senate Office Building Washington, DC 20510

Congressman Henry Waxman Ranking Member House Energy & Commerce Committee 2322a Rayburn House Office Building Washington, DC 20515

Dear Chair Landrieu, Ranking Member Murkowski, Chairman Upton, and Ranking Member Waxman,

The Bipartisan Policy Center's (BPC) Energy Project applauds the leadership you have shown on the recent crisis in Ukraine and on the issue of whether to accelerate the approval of U.S. LNG export licenses. This crisis underscores the urgent need for greater diversity in global liquefied natural gas (LNG) trade, particularly the need for greater international oil and gas supplies from stable countries- a long-standing goal of U.S. energy security policy. We are writing to express our clear support for U.S. LNG exports. Increased U.S. LNG exports could help to reduce both Russia's regional dominance in European natural gas markets, as well as its ability to threaten its neighbors with potential natural gas price run-ups and supply disruptions.

In response to the crisis in Ukraine, a number of policymakers have called for accelerating LNG export authorizations at the U.S. Department of Energy (DOE), who has authority for federal licensing of LNG exports. The Natural Gas Act of 1938 states that "no person shall export any natural gas from the United States to a foreign country or import any natural gas from a foreign country" without federal government authorization. The Act goes on to state that the federal government "shall issue such order [for approval] upon application, unless, after opportunity for hearing, it finds that the proposed exportation or importation will not be consistent with the public interest."

Deregulation of natural gas markets throughout the 1980s brought forth new supplies of domestic natural gas at lower prices. In response, the bipartisan Energy Policy Act of 1992 (EPACT92) sought to loosen restrictions on natural gas imports and exports, and deemed that exports of natural gas to countries with which the United States had entered into a

free-trade agreement would automatically be regarded as "consistent with the public interest."

EPACT92 was a prudent, first step to liberalizing U.S. trade in international natural gas markets. But, in the 22 years since this law was passed, there have been tremendous changes in both the domestic natural gas supply outlook as well as trade policy-particularly with increasing liberalization in global trade generally, the founding of the World Trade Organization in 1995, and, most recently, substantial new domestic supplies of natural gas from shale gas production. These substantial changes in domestic supplies and global trade warrant a serious re-examination of the current restrictions on LNG exports.

In 2013, BPC's Strategic Energy Policy Initiative (SEPI) released its final report, *America's Energy Resurgence: Sustaining Success, Confronting Challenges*. The report was the result of a consensus process that included a 20-member group of diverse, high-level stakeholders representing labor, environmental groups, academia, as well as the renewable and fossil fuel industries. Chaired by former Senators Byron Dorgan and Trent Lott, former National Security Director General Jim Jones, and former EPA Administrator William Reilly, the group put forward over 50 consensus recommendations on energy policy.

The 2013 SEPI report cautioned against restricting trade in fossil fuels, noting the dramatic changes in U.S. energy production and consumption and the potential gains from trade. The report cited several studies that showed minimal impacts on domestic natural gas prices—a primary argument against increased trade in LNG. Indeed, BPC's own analysis of natural gas markets, *New Dynamics of the U.S. Natural Gas Market (May 2013)*, concluded that LNG exports are unlikely to have a large impact on domestic prices.

Over the past three years, several additional studies have also assessed the market for U.S. LNG exports and have explored the potential impacts of expanded exports on domestic natural gas prices and reached similar conclusions. The studies include those by the Brookings Energy Security Initiative, the Council on Foreign Relations, Rice University's James A. Baker III Institute for Public Policy, and NERA Economic Consulting.

We thank you for your continued, bipartisan emphasis on promoting free trade in energy commodities and we look forward to working with Congress and the president on policies that will strengthen global energy markets.

Sincerely,

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Executive Director, Energy Project Bipartisan Policy Center